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SUBJECT: PSD: INTERNECENE TENSIONS ERUPT ON THE EVE OF
PENSION REFORM TRIUMPH

Classified By: Polcouns Theodore Tanoue for 1.4 (b,d)

11. (C) Summary. Vasile Dancu, a PSD Vice President and senior party strategist, has tendered his resignation from the party leadership. Dancu,s departure follows a month of rising factional strife within the PSD, a struggle that came to a head over Bucharest leader Marian Vanghelie,s proposals to expel Dancu and Victor Ponta, another PSD Vice President critical of PSD head Mircea Geoana's strategy to pursue the suspension and removal of President Basescu. In a related move, Ponta resigned as the PSD representative of a special parliamentary committee on uninominal electoral reform. In the meantime, former Prime Minister Adrian Nastase has evinced interest in returning to a leadership position in the PSD, although he has insisted that he will not challenge Geoana for the party leadership. Ironically, the latest eruption of internecine tensions in the PSD comes at a moment of policy success for the party, as President Basescu has effectively capitulated to demands to promulgate a PSD-PNL initiated pension reform package, despite the negative budgetary and inflationary implications. End Summary.

12. (C) Vasile Dancu, the PSD,s vice president for communication and political analysis and a key political strategist, resigned from the party leadership July 16 amid accusations that Geoana and the PSD,s Executive Committee had tried to stifle his views and had even attempted to exile the members of the so-called "Cluj group" by pressuring them to stand as PSD candidates for the European Parliament. In a resignation letter released July 18, the self-professed "left-wing intellectual" criticized Geoana for refusing to allow him to give any statements or interviews to the press. At the same time, Dancu called on Geoana and other party leaders to take responsibility for a failed strategy (including leading efforts to remove President Basescu by referendum) that damaged the PSD's "image and credibility" as an opposition party. Dancu continued to lash out at Geoana on July 19, when he told the press that Geoana's recent strategies were no longer consonant with the reform agenda of the PSD's Cluj Group. (note: the "Cluj Group" includes Dancu, former Interior Minister Ioan Rus, chief EU negotiator Vasile Puscas and other PSD local leaders from Transylvania. Earlier this year, the Cluj group opposed the PSD decision to suspend President Basescu, and predicted the defeat of the anti-presidential coalition in the referendum held on May 19.) Dancu also underscored his dissatisfaction with Geoana,s insistence that he choose between being PSD,s vice president and serving as a member of the European Parliament.

13. (C) Intra-PSD tensions arose in mid-June when all 43 members of the leadership of the Cluj branch reportedly threatened to tender their resignations from the party to express solidarity with Vasile Dancu and Victor Ponta following a proposal by PSD Bucharest branch leader Marian Vanghelie to expel the two vice-presidents. President

Basescu subsequently poured fuel on the PSD's internal fires by remarking publicly that the only "honorable" members left in the PSD were those from the Cluj Group. Vanghelie responded by reiterating his demand that the party leadership sanction the members of the Cluj Group at a meeting of the PSD's Executive Committee scheduled to take place on July 13. PSD head Geoana managed to paper over the party's differences at that weekend PSD session, and even stage-managed a public appearance with Vanghelie and his Cluj Group opponents publicly shaking hands with each other. This apparent truce was short-lived however, as the Cluj Group continued to insist that they would leave the party if Geoana did not distance himself from Vanghelie. Dancu was also reportedly furious that Geoana made too much of the reported truce in his media comments.

14. (C) In other recent developments, Victor Ponta stepped down on July 18 from his position on the special parliamentary committee to amend electoral legislation. Ponta confirmed to the Embassy that he was unhappy with the PSD's breaking its commitment to support the uninominal reform package agreed to earlier by the PSD, PNL, and Democratic Party. Also adding to Geoana's woes is former PM Adrian Nastase's recent statement that he is prepared to return to the PSD party leadership. Nastase has accused Geoana of working with President Basescu to keep him out of Romanian politics and has attacked Geoana's leadership of the PSD, openly criticizing the decision to suspend the President and blaming the current leaders for the PSD's drop in the polls. Nastase still apparently has many supporters in the party, with local branch leaders in Dambovită and Suceava recently supporting his return to the leadership.

15. (C) Comment: Ironically, this new eruption of factional tensions within the PSD comes at a moment that should have

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been a policy triumph for the PSD. After weeks of threatening to veto a pension reform package co-sponsored by the PSD and the PNL, President Basescu has effectively capitulated by promulgating the pension package law, albeit accompanied by bitter criticism of incompetent financial forecasts provided by the Finance and Labor Ministers and the Presidential Office's economic analysis of the budget-busting effects of the generous (e.g., 37.5 percent in 2008; 45 percent in 2009) pension increases. Dancu's resignation effectively marks the end of Mircea Geoana's increasingly frayed ties with the Cluj Group, whose support was instrumental in securing Geoana's upset victory as party president in 2005, when he defeated former president Ion Iliescu. In recent months, Geoana has tried to straddle the gap between party elders including Ion Iliescu and--especially--PSD leader Viorel Hrebenciuc on one side, and the younger reformers in the Cluj Group on the other side. Ion Iliescu's appointment as "honorary PSD president" in December 2006 marked the erosion of the "Cluj Group's" influence over Geoana. The final blow to the influence of the Cluj Group came when Geoana ignored their warnings and began to depend increasingly on Hrebenciuc, who has gradually replaced Dancu as de facto party strategist. Hrebenciuc's rise is also reflected in the PSD's recent decision to abandon its earlier commitment to a PSD-PNL-PD agreement on uninominal electoral reform, a move that would have hurt the interests of party insiders including Hrebenciuc himself. It remains to be seen whether Dancu will be the only defector but other independent and outspoken younger leaders may follow Victor Ponta's footsteps in resigning their party-appointed positions. Meanwhile, the failure of Geoana's attempts to bridge the divisions between the various factions of the PSD appears to have encouraged potential rivals such as Nastase to join the fray. End Comment.

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